



Anchor Small Cap Value and SMID Cap Value 4Q 2012 Investment Review

Anchor's Small Cap Value and Small Mid Cap Value strategies returned +3.42% and +2.75% respectively in the fourth quarter of 2012, versus +3.22% and +4.13% for the Russell 2000 Value and the Russell 2500 Value, respectively.

The quarter's stock performance encompassed a sharp decline and then a sharp rally following the presidential election. The recovery was linked to the anemic but persistent fundamental recovery in the U.S., highlighted by meaningful strength in the housing and auto sectors as well as industrial manufacturing. The quarter was marked by backing and filling following the major moves seen in the first nine months, marked by a rush into yield paper, including REITs and also into higher beta (lower credit quality) banks in the Russell 2000. To put some numbers around this, the REIT sector of the Russell 2000 Value and the Russell 2500 for full 2012 returned +26.02% and +23.30%, respectively, leaving that group at very high multiples of FFO and historically low yields compared with underlying cap rates as well as high financial leverage in many cases. Our underweighting in that space, which is 11% of the Russell 2000 Value and 12% of the 2500 Value, cost us 100bp and 70bp respectively in relative underperformance, which we believe will be recouped when valuations normalize. That said, we maintained, and added to, small bank holdings on the notion that bad credits have been well vetted, compressed net interest margins are adequately reflected in stock valuations and the risk reward is favorable as the housing and jobs pictures improve. In accordance with the above, we came into 2013 over weighted in small and mid-sized banks, and underweighted in REITs.

Within the bank group, we reduced Signature Bank on strength and added Cardinal Financial Holdings and Susquehanna Bancorp, maintaining a consistent weighting in the group but rotating into smaller capitalization stocks.

One of the highlights of the quarter was our Technology holdings, which included a strategic takeover for cash and stock of Cymer by bellwether ASML, as well as a financial buyer stepping up to acquire JDA Software. The semiconductor group was a productive place to be as other holdings including Fairchild Semiconductor was strong. Both the Consumer Discretionary and broad Capital Goods sectors reflected the viability of the U.S. economic cycle for the coming year.

Positive contributors to performance this quarter were: Cymer, subject of a strategic takeover as mentioned above; Cooper Tire, which rallied and then became target of an 80% controlling stake by Apollo Tyre of India for a strategic premium, making it one of the larger tire makers in the world; JDA Software, being taken over by a financial buyer; Schweitzer Mauduit, specialty papers producer with strong Chinese sales demand; and Esterline Technologies, which bounced back on strong commercial and civil aircraft deliveries. Detractors included: Incontact, cloud based software services company, Bank of Marin; Web.com Inc.; Atlas Air Worldwide, on Chinese moderation of demand; and First Financial Bancorp. There was favorable convexity in the gainers versus detractors as the declines were far more in the category of consolidation rather than from fundamentals this quarter.



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We continue to view ourselves as partners with our portfolio companies and seek both strategic and capital deployment decisions within our companies that can result in favorable shareholder returns and outcomes over a three to five year horizon. We are heartened by the degree to which many of our companies have been able to globalize both their end sales and their optimum production profiles, and this underpins our conviction in the strategy.

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Monthly Performance

Anchor Small Cap Value (gross of fees):

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	6.30	2.76	2.90	-1.75	-6.06	2.99	-0.70	2.27	2.51	-0.80	0.48	3.70	14.97
2011	-0.04	2.54	3.73	2.35	-1.49	-1.32	-4.13	-6.88	-9.85	14.27	0.52	-1.17	-3.35
2010	-3.57	4.41	6.02	5.19	-5.64	-6.66	6.52	-7.02	12.14	4.08	3.24	7.40	26.75
2009	-8.07	-9.87	5.66	18.43	2.65	-0.11	12.20	3.35	10.18	-5.53	3.16	7.86	42.79
2008	-6.01	-1.36	1.33	3.25	7.06	-8.85	3.77	4.83	-9.61	-16.82	-9.49	4.15	-27.03
2007	2.38	-0.25	1.33	1.30	4.75	-2.08	-3.89	1.83	1.31	0.52	-8.23	1.74	0.06
2006	7.17	0.13	5.62	1.22	-4.75	-2.57	-4.86	2.62	0.79	4.31	2.98	0.27	12.84
2005	-3.18	1.38	-1.18	-6.07	5.58	2.45	6.31	0.46	3.12	-3.57	3.87	-0.98	7.66
2004	1.45	3.10	-0.07	-3.47	-1.85	6.19	-3.72	-1.03	4.33	-0.35	8.33	2.09	15.20
2003	-1.27	-3.07	-1.03	6.85	8.66	4.96	4.42	3.70	-0.13	7.34	2.78	5.32	44.99
2002							-15.12	1.87	-9.83	-1.86	5.85	-1.37	-20.11

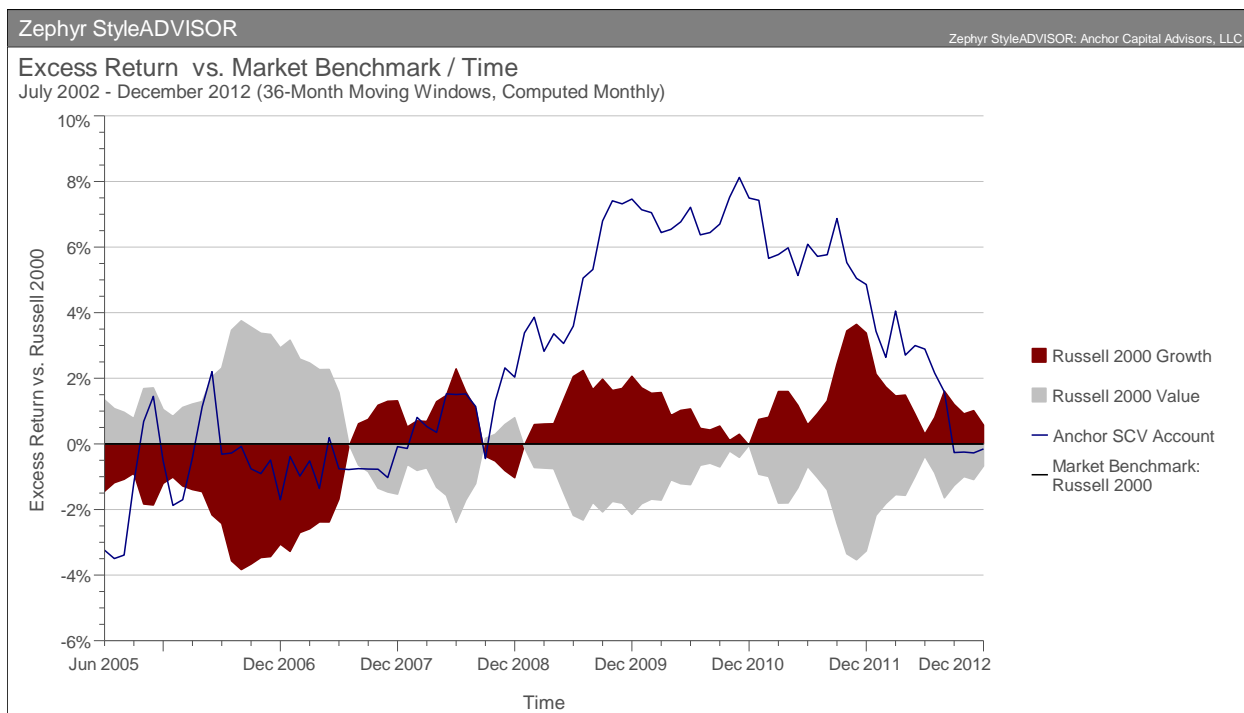
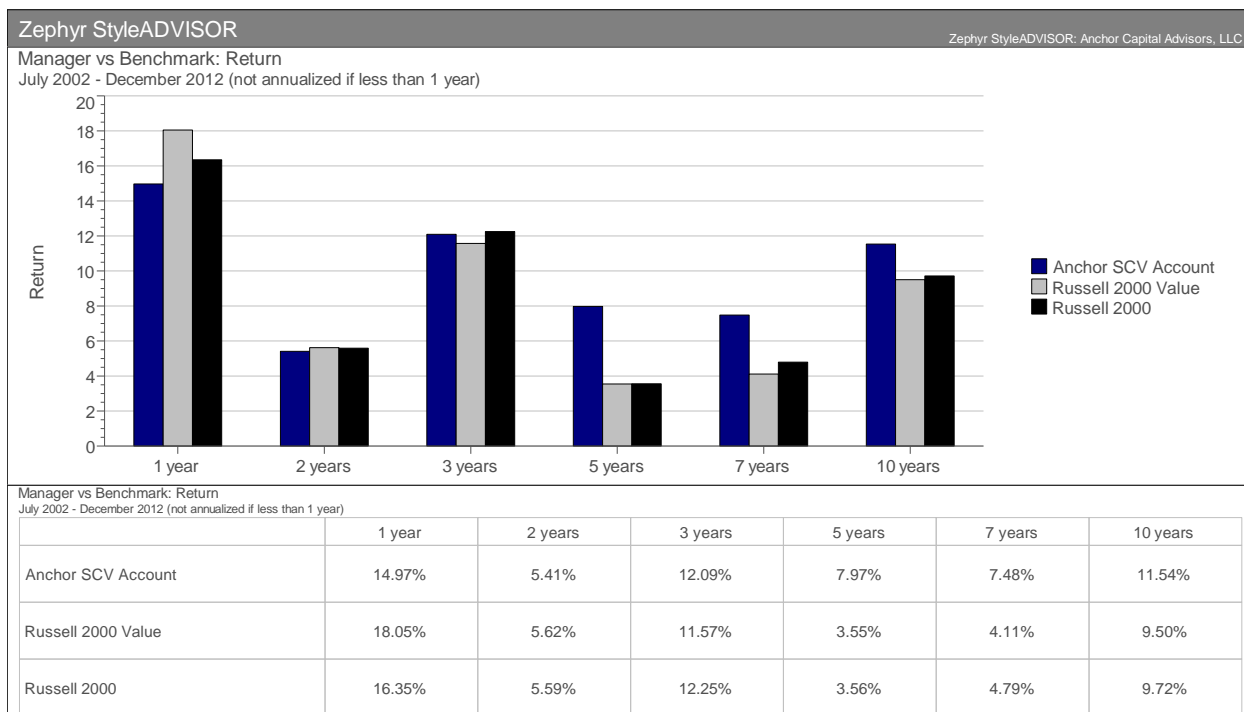
Russell 2000 Value:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	6.65	1.49	3.10	-1.45	-6.11	4.82	-1.02	3.08	3.56	-1.25	0.31	4.21	18.05
2011	0.05	5.08	1.39	1.62	-1.79	-2.46	-3.31	-8.83	-10.92	14.41	-0.20	1.56	-5.50
2010	-2.93	4.64	8.32	7.00	-8.45	-8.73	7.14	-7.52	10.74	3.87	2.54	8.31	24.50
2009	-14.28	-13.89	8.88	15.87	2.16	-0.32	11.56	4.73	5.02	-6.64	3.18	7.57	20.58
2008	-4.10	-3.97	1.51	3.16	3.42	-9.60	5.13	4.75	-4.69	-19.98	-11.58	6.15	-28.92
2007	1.50	-1.23	1.21	1.04	3.67	-2.33	-8.51	2.00	0.45	1.09	-7.49	-0.85	-9.78
2006	8.27	-0.01	4.84	0.27	-4.14	1.23	-1.39	2.99	0.98	5.09	2.85	0.87	23.48
2005	-3.87	1.99	-2.06	-5.16	6.10	4.42	5.69	-2.30	-0.17	-2.51	4.06	-0.77	4.71
2004	3.46	1.94	1.38	-5.17	1.21	5.08	-4.60	0.98	3.96	1.55	8.87	2.39	22.25
2003	-2.82	-3.36	1.07	9.50	10.21	1.69	4.99	3.80	-1.15	8.15	3.84	3.62	46.03
2002							-14.86	-0.44	-7.14	1.50	7.98	-4.27	-17.42

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Anchor Institutional Management

Performance* - Selected Regimes

Period	Dates	Anchor Small Cap Value	Russell 2000***	Russell 2000 Value**	S&P 500****
Credit Crunch and Panic	01/2008 - 02/2009	-35.03%	-43.19%	-42.48%	-43.33%
Recovery	03/2009 - 04/2011	49.12%	46.56%	43.99%	35.76%
US Government Downgrade	05/2011 - 08/2011	-13.21%	-15.64%	-15.55%	-9.93%
Year to Date	01/2012 - 12/2012	14.97%	16.35%	18.05%	16.00%
Ten Year (Period)	01/2003 - 12/2012	298.03%	252.79%	247.87%	198.58%
Ten Year (Annualized)	01/2003 - 12/2012	11.54%	9.72%	9.50%	7.10%

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** The Russell 2000 Value index (primary benchmark) offers investors access to the small cap value segment of the US equity universe. The Russell 2000 Value index is constructed to provide a comprehensive and unbiased barometer of the small cap value market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine value probability approximates the aggregate small cap value manager's opportunity set.

*** The Russell 2000 index (secondary benchmark) offers investors access to the small cap segment of the US equity universe. The Russell 2000 index is constructed to provide a comprehensive and unbiased barometer for the small cap segment and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small cap opportunity set.

****The S&P 500 index is widely regarded as the best single gauge of the U.S. equities market. This world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although S&P 500 focuses on the large-cap segment of the market, with about 75% coverage of U.S. equities, it is also an ideal proxy for the total market. The benchmark returns include the reinvestment of income.

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Monthly Performance

Anchor SMID Cap Value (gross of fees):

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	6.23	2.18	2.91	-1.51	-6.03	3.01	0.12	2.22	2.71	-0.72	0.41	3.04	14.99
2011	0.33	3.07	3.54	2.22	-1.51	-1.05	-4.09	-6.91	-9.87	13.40	0.51	-1.06	-3.20
2010	-3.61	4.17	6.60	4.86	-5.92	-6.80	6.79	-6.21	11.48	3.88	3.39	6.97	26.23
2009	-8.37	-11.21	6.90	18.08	3.19	0.36	11.79	3.53	10.55	-5.36	3.41	7.61	43.30
2008	-6.90	-1.74	1.38	3.30	6.94	-8.64	3.51	3.52	-10.43	-17.78	-10.38	4.81	-30.61
2007	2.05	-0.22	1.19	2.01	5.19	-1.85	-3.59	2.13	1.77	1.20	-7.92	2.16	3.50
2006	7.55	-0.66	5.10	1.35	-4.88	-2.56	-4.34	2.37	0.82	4.62	2.94	0.45	12.67
2005	-2.58	2.09	-0.73	-5.97	5.16	2.14	6.26	0.75	2.78	-3.47	3.56	-0.39	9.28
2004	-0.20	3.24	0.33	-3.27	-1.79	5.17	-3.19	-0.31	4.52	-0.33	7.05	2.43	13.87

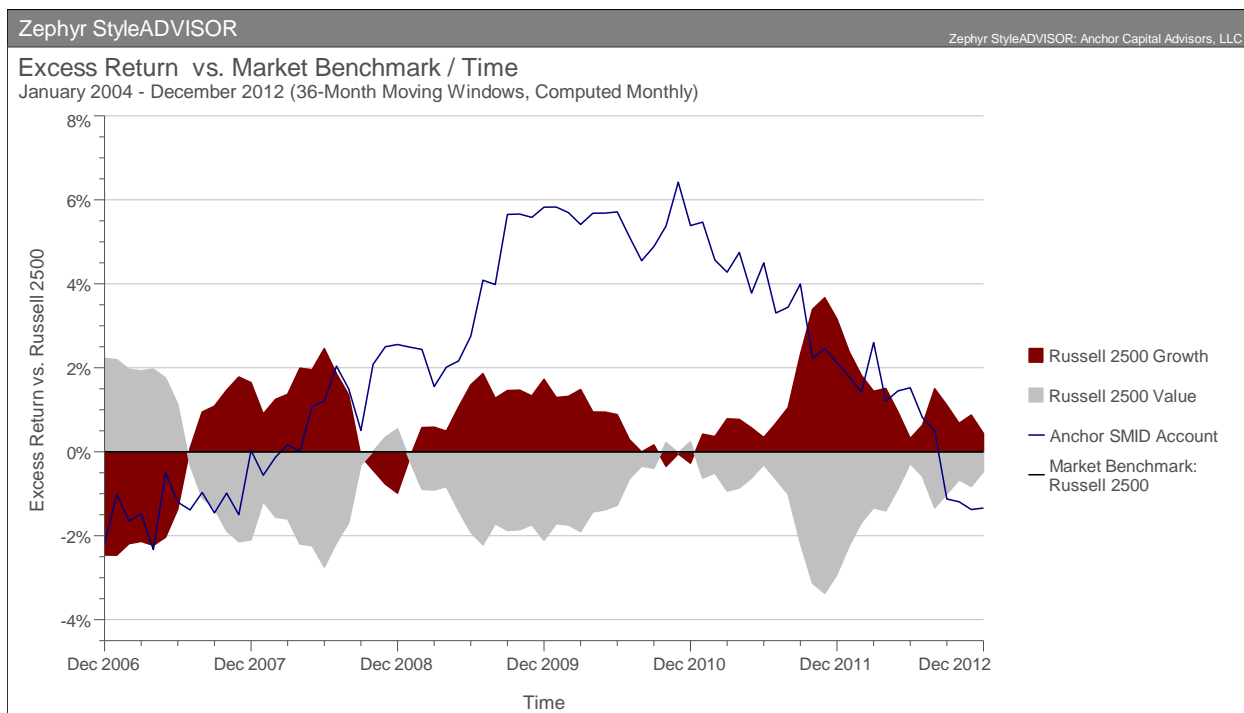
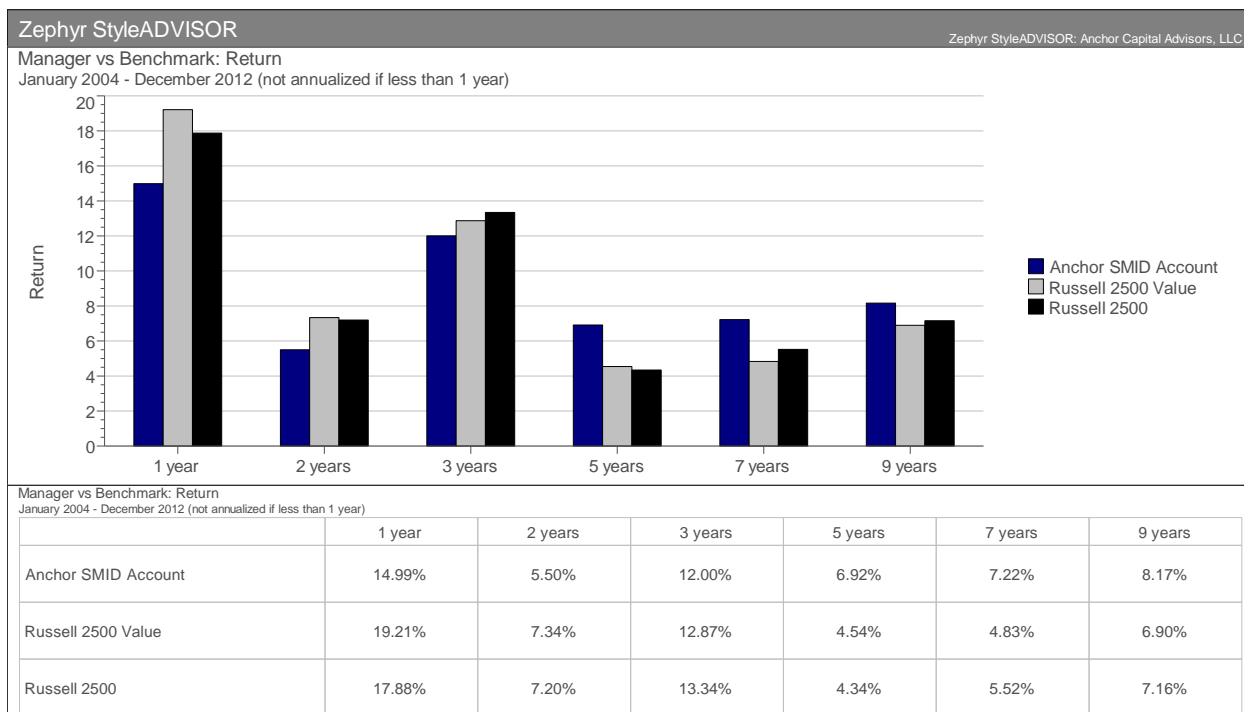
Russell 2500 Value:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	5.69	2.89	2.55	-0.61	-6.18	4.00	-0.43	3.38	2.83	-0.39	1.37	3.14	19.21
2011	1.53	4.34	1.64	2.33	-1.17	-2.57	-3.74	-8.18	-10.73	13.92	-0.23	1.57	-3.36
2010	-2.67	4.87	7.35	5.81	-8.00	-7.71	7.36	-5.55	9.86	3.90	1.74	7.70	24.82
2009	-11.67	-12.87	8.73	15.95	2.50	-0.07	10.20	5.95	5.15	-6.04	4.32	6.77	27.68
2008	-3.56	-3.62	-0.18	4.62	4.13	-9.34	1.77	4.04	-6.70	-20.65	-10.46	5.75	-31.99
2007	2.23	-0.23	1.07	2.09	3.56	-2.66	-7.49	0.51	1.04	0.69	-6.41	-1.28	-7.27
2006	6.58	0.13	3.51	0.40	-3.46	0.57	-1.39	2.66	1.02	4.69	3.13	1.10	20.18
2005	-3.22	2.50	-1.34	-3.74	5.55	3.67	5.36	-1.82	0.11	-2.95	4.10	-0.10	7.74
2004	3.24	2.03	0.80	-5.24	2.01	3.97	-4.03	1.26	3.16	1.81	8.18	3.18	21.58

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Performance* - Selected Regimes

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Credit Crunch and Panic	01/2008 - 02/2009	-38.75%	-43.56%	-42.59%	-43.33%
Recovery	03/2009 - 04/2011	50.76%	48.24%	46.33%	35.76%
US Government Downgrade	05/2011 - 08/2011	-12.99%	-14.66%	-14.90%	-9.93%
Year to Date	01/2012 - 12/2012	14.99%	17.88%	19.21%	16.00%
Inception of Strategy (Period)	01/2004 - 12/2012	202.68%	186.29%	182.27%	154.32%
Inception of Strategy (Annualized)	01/2004 - 12/2012	8.17%	7.16%	6.90%	4.94%

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** The Russell 2500 Value index (primary benchmark) measures the performance of the small to mid-cap value segment of the U.S. equity universe. The Russell 2500 Value index is constructed to provide a comprehensive and unbiased barometer of the small to mid-cap value market. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set and that the represented companies continue to reflect value characteristics.

*** The Russell 2500 index (secondary benchmark) measures the performance of the small to mid-cap segments of the U.S. equity universe. The Russell 2500 index is constructed to provide a comprehensive and unbiased barometer for the small to mid-cap segment. The index is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small to mid-cap opportunity set and that the represented companies continue to reflect value characteristics.

****The S&P 500 index is widely regarded as the best single gauge of the U.S. equities market. This world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although S&P 500 focuses on the large-cap segment of the market, with about 75% coverage of U.S. equities, it is also an ideal proxy for the total market. The benchmark returns include the reinvestment of income.

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